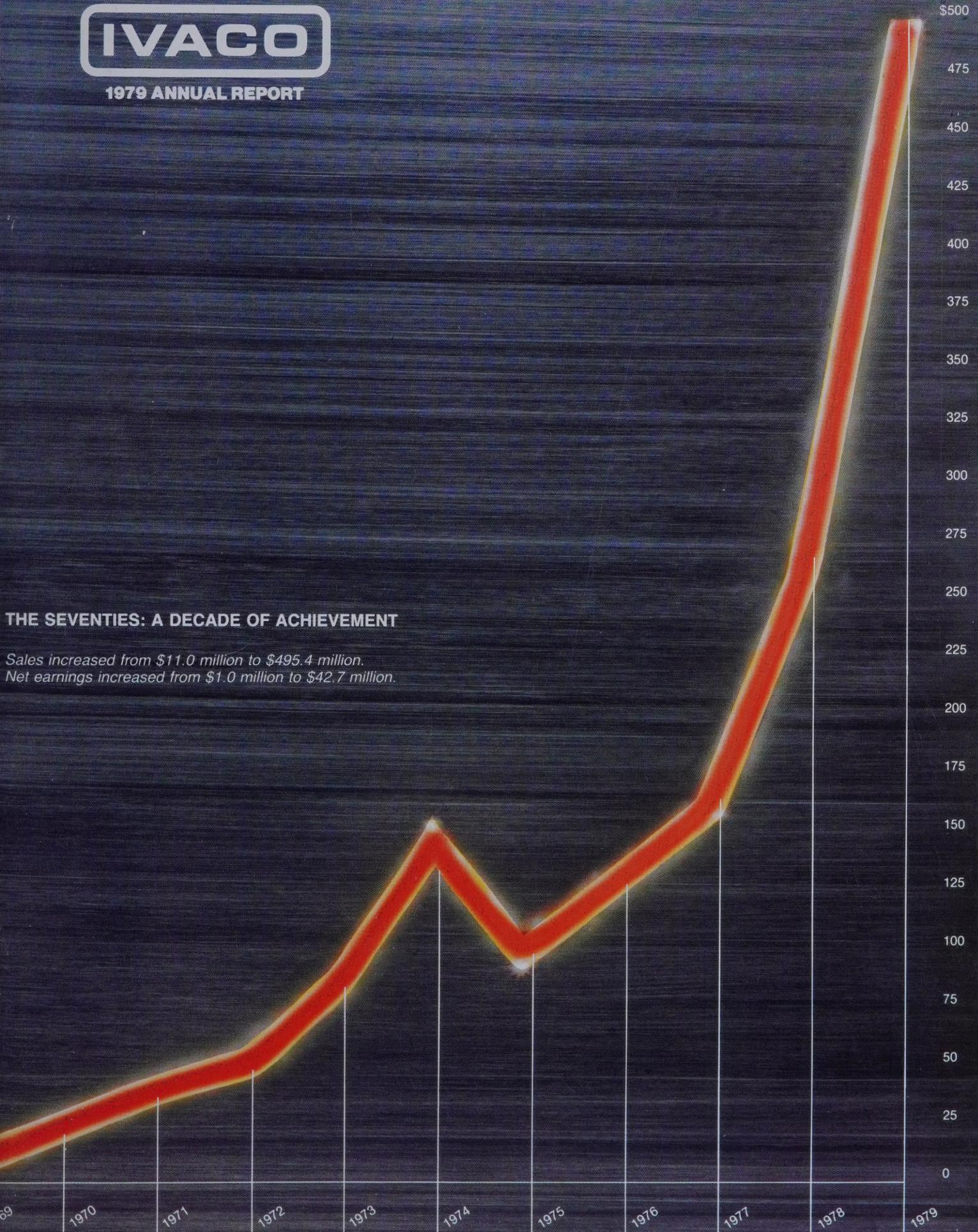




1979 ANNUAL REPORT

THE SEVENTIES: A DECADE OF ACHIEVEMENT

Sales increased from \$11.0 million to \$495.4 million.
Net earnings increased from \$1.0 million to \$42.7 million.



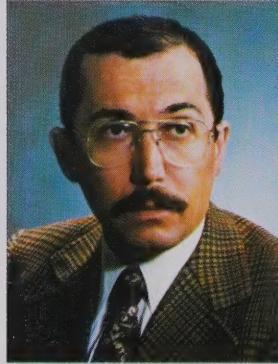
Board of Directors



ISIN IVANIER
Chairman
of the Company



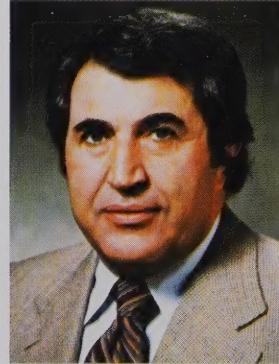
PAUL IVANIER
President
of the Company



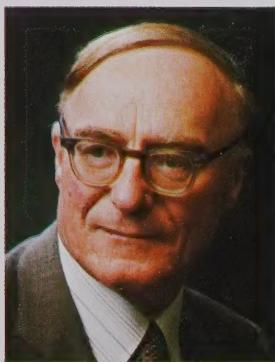
SYDNEY IVANIER
Senior Vice-President
of the Company



MICHAEL HERLING
Senior Vice-President
and Secretary
of the Company



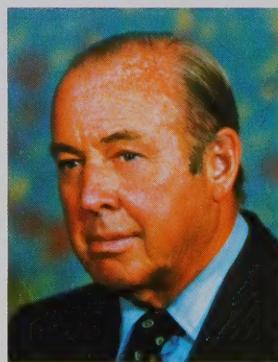
JACK KLEIN
Senior Vice-President
of the Company



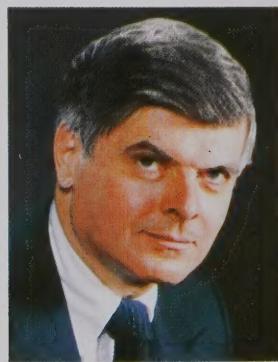
JOHN LOVERIDGE
President,
Ingersoll Machine
and Tool Company, Limited



EDWARD J. BUELL
Chairman,
Niagara Lockport
Industries Inc.



ALAN S. GORDON
Consultant,
Merrill Lynch,
Royal Securities Limited



H. B. McNALLY, Q.C.
Partner, Byers, Casgrain,
McNally, Dingle,
Benn & Lefebvre

Consolidated Statement of Earnings

For the Six Months ended June 30, 1979 (Unaudited)



Interim Report
to
Shareholders
for
the Six Months
ended
June 30, 1979

(in thousands of dollars except per share amounts)

	Six Month Period ended June 30 1979 1978		Three Month Period ended June 30 1979 1978	
Net Sales	\$196,509	\$122,425	\$105,794	\$67,807
Cost and expenses exclusive of items listed below	152,888	98,205	82,528	54,157
Depreciation	4,476	3,418	2,298	1,757
Amortization	697	606	364	309
Interest on long-term liabilities	2,940	1,868	1,532	958
Interest on short-term borrowings	2,422	1,792	1,248	985
	163,423	105,889	87,970	58,166
Earnings before income taxes and minority interests	33,086	16,536	17,824	9,641
Provision for income taxes	12,219	6,494	6,714	3,817
Minority interests	582	353	276	209
	12,801	6,847	6,990	4,026
Net earnings	\$ 20,285	\$ 9,689	\$10,834	\$ 5,615
Net earnings per common share	\$2.09	\$0.98	\$1.12	\$0.57

Consolidated Statement of Changes in Financial Position

For the Six Months ended June 30, 1979 (Unaudited)

(in thousands of dollars)

	1979	1978
WORKING CAPITAL, JANUARY 1	\$57,085	\$36,432
SOURCE OF FUNDS:		
Operations		
Net earnings	20,285	9,689
Minority interests	582	353
Depreciation and amortization	5,173	4,024
Deferred income taxes	2,104	1,251
Gain on disposal of fixed assets	(307)	(5)
Funds from operations	27,837	15,312
Issue of capital stock		
On acquisition of Lundy Steel	—	720
On exercise of employees' stock options	291	—
Net increase in long-term liabilities	1,949	84
Working capital acquired on acquisition of National Wire Products	1,138	—
	31,215	16,116
APPLICATION OF FUNDS:		
Net additions to fixed assets	13,517	9,378
Acquisition of minority interest	430	143
Dividends — preferred	777	784
— common	1,307	909
Other items	471	1,022
	16,502	12,236
INCREASE IN WORKING CAPITAL	14,713	3,880
WORKING CAPITAL, JUNE 30	\$71,798	\$40,312

Résultats consolidés

Pour la période de six mois terminée le 30 juin 1979

(non vérifié)

IVACO

Rapport Intérimaire aux Actionnaires pour les six mois se terminant le 30 juin 1979

(en milliers de dollars à l'exception des montants par action)

	Période de six mois terminée le 30 juin		Période de trois mois terminée le 30 juin	
	1979	1978	1979	1978
Ventes nettes	\$196 509	\$122 425	\$105 794	\$67 807
Coût et frais à l'exclusion des postes ci-dessous	152 888	98 205	82 528	54 157
Amortissement des immobilisations	4 476	3 418	2 298	1 757
Autres amortissements	697	606	364	309
Intérêt sur dettes à long terme	2 940	1 868	1 532	958
Intérêt sur les emprunts à court terme	2 422	1 792	1 248	985
	163 423	105 889	87 970	58 166
Bénéfices avant impôts sur le revenu et intérêts minoritaires	33 086	16 536	17 824	9 641
Provision pour impôts sur le revenu	12 219	6 494	6 714	3 817
Part des actionnaires minoritaires	582	353	276	209
	12 801	6 847	6 990	4 026
Bénéfice net	\$ 20 285	\$ 9 689	\$10 834	\$ 5 615
Bénéfice net par action ordinaire	\$2,09	\$0,98	\$1,12	\$0,57

État consolidé de l'évolution de la situation financière

Pour la période de six mois terminée le 30 juin 1979

(non vérifié)

(en milliers de dollars)

	1979	1978
FONDS DE ROULEMENT AU 1er JANVIER	\$57 085	\$36 432
PROVENANCE DES FONDS:		
L'exploitation		
Bénéfice net	20 285	9 689
Part des actionnaires minoritaires	582	353
Amortissements	5 173	4 024
Impôts sur le revenu reportés	2 104	1 251
Gain sur aliénation d'immobilisations	(307)	(5)
Fonds provenant de l'exploitation	27 837	15 312
Émission de capital-actions		
À l'acquisition de Lundy Steel	—	720
En vertu du régime d'option d'achat d'actions des employés	291	—
Augmentation nette de la dette à long terme	1 949	84
Fonds de roulement acquis sur l'achat de la National Wire Products	1 138	—
	31 215	16 116
UTILISATION DES FONDS:		
Nouvelles immobilisations, montant net	13 517	9 378
Acquisition de la part des actionnaires minoritaires	430	143
Dividendes — actions privilégiées	777	784
— actions ordinaires	1 307	909
Autres éléments	471	1 022
	16 502	12 236
AUGMENTATION DU FONDS DE ROULEMENT	14 713	3 880
FONDS DE ROULEMENT AU 30 JUIN	\$71 798	\$40 312

Financial Highlights

(in thousands except per share amounts)

	1979	1978
Sales	\$495,363	265,852
Net Earnings	\$ 42,742	23,971
Net Earnings per Common Share	\$ 4.40	2.44
Working Capital	\$110,334	57,085
Net Additions to Fixed Assets	\$ 34,288	27,550

Officers

Isin Ivanier Chairman	
Paul Ivanier President	
Sydney Ivanier Senior Vice-President	
Michael Herling Senior Vice-President and Secretary	
Jack Klein Senior Vice-President	
John Loveridge Vice-President	
M. R. Cairns Vice-President	
Albert A. Kassab Vice-President	
George Goldstein Vice-President	

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The Annual Meeting of the Company will be held on May 30, 1980 at 11 a.m. at Salon Le Printemps, Le Quatre Saisons (Four Seasons Hotel), 1050 Sherbrooke Street West, Montreal, Quebec.



Paul Ivanier

Izin Ivanier

To Our Shareholders:

April 2, 1980

1979 was an excellent year for your Company — not only because it set dramatically higher records for sales and earnings but also because very important new opportunities for future growth were put into place during the year. In fact, it was undoubtedly the most significantly successful single year in the history of your Company.

Sales of \$495 million and net earnings of \$42.7 million reflected high levels of demand for all of our product lines — and included the results achieved by Atlantic Steel Company and National Wire Products from their respective dates of acquisition.

These record results demonstrate powerfully the basic wisdom of your Company's expansion programs in the decade just passed, both through acquisition and internal growth. In terms of steel products, Ivaco's strong and extended marketing capabilities for finished products such as wire, welded wire fabric, nails and fasteners made it possible to run our steelmaking and rolling mill facilities at optimum production levels throughout the year. Our Precision Machined Components Group was also running at a brisk pace throughout the year as was the Paper Machine Clothing Group. In our Paper Machine Clothing Group the capability to pro-

vide the entire range of high technology specialty fabrics — wet end forming fabrics, wet felts and dryer felts — has helped to broaden our penetration of the consuming industry to the point where we are now one of the leading suppliers in the world.

1979 was a fitting climax to an amazing decade of achievement for Ivaco. The more than 40 fold increase in both sales and earnings during these ten short years demonstrates the growth that has transformed Ivaco into the large and substantial company it is today. A review of the decade just passed — in terms of annual activities — begins on page 5. It will give you a keen insight into the growth philosophy which continues to motivate your Company's management.

Ivaco's philosophy of growth was particularly apparent in 1979 when several acquisitions and internal expansions were carried out.

In January, Capitol Wire & Fence of Hyattsville, Maryland was acquired. Capitol manufactures a variety of chain link fencing in both galvanized and vinyl-coated finishes. It also produces specialty products such as redwood slat fencing.

In February, a 60% controlling interest in National Wire Products Corp. was purchased for cash. This investment was in the form of newly issued capital of National and Ivaco's ownership can be increased to about 95% for a predetermined amount of cash, based on National's future earnings. National has its headquarters at Baltimore, Maryland and has five plants which produce wire, welded wire pipe fabric and construction mesh of various types.

Since becoming a member of the Ivaco Group, National has undertaken to construct a new facility for the production of strand galva-

nized wire. This project is now underway and completion is expected during the second half of the year. When completed it will meet National's needs for galvanized wire and will also allow for sale of galvanized wire to other users.

The third acquisition and the one which will have the most impact on the Company for the future is Atlantic Steel.

Prior to the Atlantic Steel acquisition Ivaco had nine plants in the United States which use wire rod in substantial quantity as their basic raw material. Due to the fact that we were fully integrated in Canada through the production of billets and wire rods, it was logical and appropriate for Ivaco to have steelmaking and rolling facilities in the United States. Atlantic Steel was an ideal candidate. It has good solid management, an excellent reputation for quality and reliability and its plants are located in the right places. Its new steelmaking and rolling mill complex at Cartersville, Georgia has annual steelmaking and rolling capacity of 300,000 tons. The steelmaking complex at Atlanta is located on a site of approximately 200 acres, situated about a mile from the heart of Atlanta's downtown financial district. Annual steelmaking and rolling capacity at the Atlanta plant is about 400,000 tons. Wire rods produced at Atlanta are basically all consumed by their wire mill located on the same site. The wire mill was completely rebuilt in 1965 and is very modern and efficient. It has an annual capacity of 140,000 tons of wire and also produces nails, farm fencing, industrial and residential fencing, barbed wire, galvanized wire, bale ties and many other wire products.

The Atlantic Building Systems arm of Atlantic Steel produces steel tubing and pre-engineered steel buildings. It has modern plants at Tallapoosa, Georgia and Hannibal, Missouri.

Since our acquisition, two substantial expansion projects have been initiated at Atlantic Steel. The first undertaking is a major project at the steelmaking facility at Atlanta where the melt shop will be converted from ingot teeming practice to continuous casting, as we are now doing at L'Orignal, Ontario and Cartersville, Georgia. This will be achieved by installing two new three-strand continuous billet casters. Cost of this project is budgeted at \$15 million and completion is expected by year end. The second project, which is also underway, is the expansion of the Atlanta rod mill. It will consist of the addition of a new no-twist finishing mill with controlled cooling finishing lines. When completed it will more than double annual wire rod rolling capacity to 290,000 tons. The cost of the project is estimated at \$7 million. Completion is expected in the fourth quarter of this year.

The addition of Atlantic Steel has broadened Ivaco's product base to include hot rolled steel bars and shapes, steel tubing and pre-engineered steel buildings. But most important, Atlantic will provide Ivaco with the steelmaking capacity in the United States that it will need in the 1980's.

Notwithstanding the sizeable growth that was realized through acquisition during the year, Ivaco was also growing significantly via internal expansion.

At the Canadian steelmaking operations scrap handling facilities were extended, a high capacity scrap shear was installed and a large extension to the billet bay was completed. All of these contributed to steelmaking efficiency. At Ivaco Rolling Mills work was completed on the retarded cooling system and an automated compacting line was installed.

At Lundy Steel a major expansion program was completed, which included completion of a high capacity strand galvanizing line

and the installation of new welded wire fabric and wire drawing equipment. Also during the year a third oil-tempered spring wire line and an annealing furnace were installed at New York Wire Mills. Other divisions in the Wire Group were also completing expansions during the year. Virginia Wire and Fabric added substantial new capacity and the Company's new nail and welded wire fabric facility at Quincy, Florida came on-stream. At Sivaco Maritimes, a building addition was completed, advanced new pollution control equipment was added and nail galvanizing capacity was installed. At Sivaco Ontario a new annealing furnace was added and Sivaco Quebec added substantial new building area to expand its manufacturing and warehousing capacity.

In the Fastener Group, high-speed nutformers were installed at Toronto, high-speed boltmakers went into production at Marieville and a building was added at Ingersoll Fasteners.

In the Precision Machined Components Group, Ingersoll Machine and Tool broke ground towards the end of the year for the construction of a new building. Completion is scheduled for late 1980.

The major expansion program in 1979 for the Paper Machine Clothing Group occurred at Starkville, Mississippi where two of the largest looms in the world came into production. The Starkville plant produces both wet and dryer felts and integrating production of these two product lines is proving to be an important factor in increasing sales to the paper industry.

A new loom was also added at Warwick, Quebec and an additional loom will go into production later this year.

Ivaco concluded the decade in a strong financial position. Sales and

earnings were at record levels and working capital was over \$110 million. It should not be overlooked that the increased working capital occurred during a year when expenditures for internal expansion were more than \$34 million and two major acquisitions were completed.

For our shareholders, there was also additional good news in 1979. At the annual dividend review meeting, the year end extra dividend was doubled to 40 cents. And, an announcement was made that the regular quarterly dividend would be increased by more than 40% — from 7 cents to 10 cents — beginning in January, 1980.

Now let's look at 1980 and beyond. The strong sales trend evident in 1979 for your Company has continued throughout the first quarter. The added benefits resulting from these continuing higher levels of sales in the first quarter of 1980 have been offset in part by increased costs of raw materials, interest and other operating costs which have not as yet been reflected in our selling prices. As far as Ivaco is concerned the slack that has occurred in the automotive sector has been taken up by other markets. So far we have not been affected by the slowdown in the construction industry and we expect to operate most of our divisions at or near capacity during the second quarter. In summary we are confident that 1980 will be a good year for Ivaco.

During 1980 world steel demand is expected to be somewhat less than in the previous year. The United States is showing a similar trend mainly as a result of lower demand from the automotive industry and in Canada steel demand for 1980 is expected to stay at approximately 1979 levels. A number of U.S. steel producers have announced the closing of some of their older and less efficient plants which will result in further reductions in steel produc-

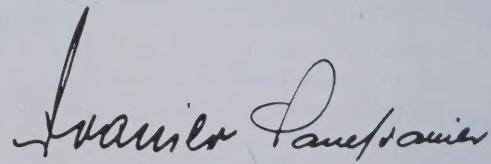
tive capacity in that country. At the same time that these plants are being phased out Ivaco is further expanding its steelmaking facilities in the United States. We believe that efficient and specialized steel producers like Ivaco will do extremely well in the 1980's and we are also convinced that the actions we are now undertaking will provide your Company with exceptional opportunity for greater growth in the decade of the '80's.

We would like to express our appreciation to the Company's 6,600 employees and to its many customers. Their continued loyalty and support has made this record year possible.

On behalf of the Board of Directors.

Isin Ivanier
Chairman

Paul Ivanier
President



The Seventies: A decade of growth

The Eighties: A decade of opportunity

For Ivaco they were the sensational seventies

In January of 1970, the shares of your Company were called for trading for the first time on the Toronto and Montreal Stock Exchanges. Only weeks before, Ivaco had emerged as a public company; its sales for 1969 were \$11 million and net earnings were \$1 million. It was an auspicious start to a decade of phenomenal growth. 1979, a decade later, saw Ivaco with sales near the half billion mark and net earnings of \$42.7 million.

The more than 40-fold increase in both sales and earnings during this decade has brought Ivaco to a very important plateau from which significant continued growth can be achieved. Continued growth is very much an important part — in fact, it is a vital element — of Ivaco strategy for the Eighties. And yet, as much as the Seventies were a *decade of growth* for Ivaco, the Eighties are already shaping up as a *decade of similar, if not even greater opportunity*.

The following brief review of the preceding 10 years of achievement should be helpful in providing an understanding of the reasons behind Ivaco's tremendous growth. It also outlines how Ivaco,

during these past 10 years, has positioned itself in the North American marketplace so that it will be able to grasp the opportunities which will be available in the immediate years ahead.

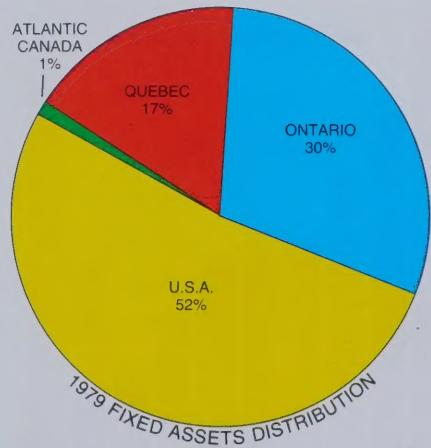
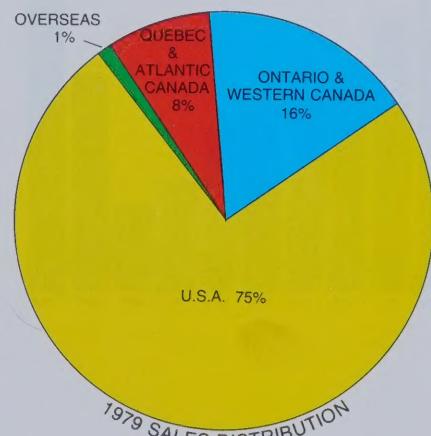
From the earliest days, Company strategy clearly established that ultimate security is based on independence of raw material supply. For Ivaco, this meant striving towards vertical integration. One of the major achievements of the Seventies was the establishment of rolling mill capacity for wire rods and the creation of basic steel production, both of which provided raw material security for the downstream manufacturing operations. It was equally important to expand the range, quantity, and geographic availability of finished products because these, in turn, provided the security of market demand for our steel billets and wire rods.

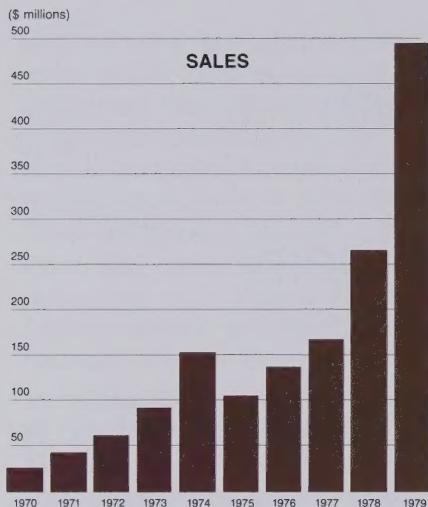
While acquisitions helped to provide continuous powerful impetus to Ivaco's aggressive pattern of growth, the internal expansion programs, which were an intrinsic part of management strategy, made an equally significant contribution.

1970

While it was a relatively sluggish year for the North American economy at large, sales and earnings reached \$28 million and \$2.1 million, respectively. In addition, two important goals were real-

ized. One was the acquisition of Ingersoll Machine and Tool and its subsidiary Morrow Screw and Nut Company. As a result of this merger, the size of Ivaco virtually doubled and precision machined components and axles were added to the overall product line. Morrow Screw, later to be known as Ingersoll Fasteners, became fully integrated within the Ivaco Group





and made substantial contributions to fastener operations. The other important goal was the start of construction of the Company's rolling mill at L'Orignal, Ontario which was originally designed for a capacity of some 225,000 tons per year. This capacity has been more than doubled in subsequent years. Also during the year our Infasco division received a new generation of high-speed boltmakers which were among the first of their kind installed in North America.

1971

Early in the year Sivaco Quebec joined the Ivaco Group. Towards mid-year the Company made another move which was to provide the launching pad for a major surge in manufacturing capability. This was the purchase of manufacturing equipment of the wire mill facilities of Detroit Steel Corp. at Portsmouth, Ohio. The ready availability of this large quantity of productive machinery was a very important factor in allowing the Company to expand at an extraordinarily rapid rate during the period of accelerated product demand which occurred as the decade approached its mid-point.

Also during the year Sivaco Ontario was formed and construction of its new plant at Ingersoll, Ontario began; major increases in productive capacity were completed at New York Wire Mills; and, a major expansion of the Sivaco Quebec facility started. In the second half of the year, seven short months after it was started, Ivaco Rolling Mills came on-stream and the first step in the plan for vertical integration was complete.

By year end, sales had reached \$43 million and net earnings were \$3.7 million.

1972

1972 was a successful year in terms of operations and, in addi-

tion, it was a year in which a large part of the Company's energies were directed towards expansion and construction of new facilities.

At Marieville, new equipment was installed by both Sivaco Quebec and Infasco. At Ingersoll, the new wire mill was completed and brought into operation, and construction started on the Company's nail plant in Nova Scotia.

In financial terms, 1972 reflected continued growth. Sales were up to \$54 million, net earnings were a record \$4.6 million and working capital had increased to \$13 million.

1973

The economies of most developed countries in the world began to increase their pace in 1973 and Ivaco was certainly keeping pace with that growth. During the year Niagara Wire Weaving was acquired which expanded Ivaco's product line and its geographic coverage through the eastern seaboard of the United States. Niagara's product at the time was limited to fourdrinier fabric, a product made to very stringent quality and dimensional specifications, which is utilized in the manufacturing of paper on modern high-speed paper machines. Shortly after the acquisition, the Virginia wire mill was established for the production of wire and welded wire fabric.

The stage was set for a further step in the program of vertical integration as construction of the melt shop and continuous billet casting facility at L'Orignal started.

At Marieville, new expansions were completed at the wire, nail, and fastener plants; at New York Wire Mills, the first of three oil-tempered spring wire lines was installed; and manufacturing facilities at Ingersoll Machine and Tool were expanded.

During the year the common stock was split two for one and by year end sales and net earnings had



reached \$90 million and \$8.1 million, respectively.

1974

1974 was a year when the superheated economies of Canada and the United States reached extraordinarily high levels of activity. Sales rose to \$151 million, net earnings climbed to \$20.4 million and working capital was \$31 million. This spectacular performance was the result of the Company having productive capacity in place at the exact moment that the normal demand pattern accelerated to unprecedented, if temporary, levels. Planning for growth so far in the decade had paid off.

It was also an important year in other aspects. The rolling mill was being expanded, the new fastener plant at Ingersoll was completed and construction began for the creation of nail manufacturing capacity at Warrenton, Virginia. Also, construction of the new steelmaking facility was nearing completion.

1974 saw the establishment of a dividend policy for the Company's common shares. The key objectives of the policy were that the common shareholders would be able to participate in the favorable operating results and at the same time the Company would be able to remain committed to future growth. The initial dividend for all of 1974 was 15 cents per share and the regular quarterly dividend starting in 1975 was set at 5 cents per share.

1975

This was a year to pause and consolidate resources for the future. In terms of operating results it was not a satisfactory year as both sales and earnings declined from the extraordinary levels reached in 1974. Sales were \$103 million and net earnings were \$4.5 million.

But in terms of being positioned towards the future, 1975 was a momentous year. The rolling mill complex was expanded with the addition of a no-twist high-speed finishing mill and controlled cooling lines. The new steelmaking facility came on-stream smoothly and the quality of billets exceeded all expectations from the start. The program for vertical integration in Canada was virtually complete.

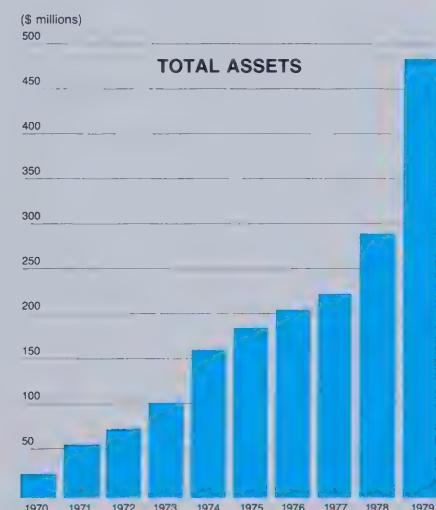
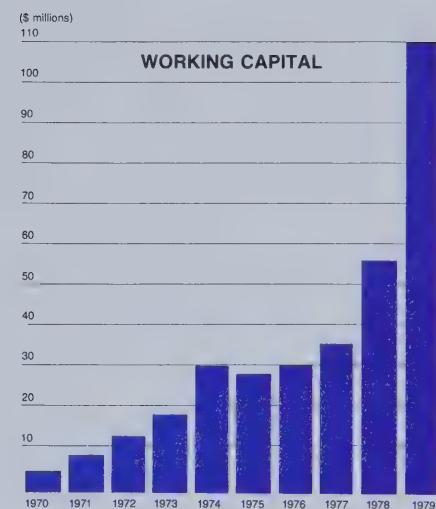
1976

1976 was a major recovery year. Both sales and earnings increased. Sales were \$136 million and net earnings were \$5.4 million. The year saw the successful completion of several major capital projects. A second electric furnace came on-stream at Eastern Steelcasting; a second oil-tempered spring wire line was completed at New York Wire Mills; nail production began at Virginia; fastener production facilities were expanded at Marieville; and, Niagara Wire Weaving completed its conversion and expansion of manufacturing facilities so that its principal product consisted of synthetic fabrics.

1977

1977 was a gratifying year for Ivaco. As in previous years much of the growth came from internal expansion as well as from a well planned acquisition program. During the year Lockport Felt was acquired thus broadening the Niagara Wire Weaving product line to include wet and dryer felts. This gave Niagara a complete "clothing" line — Niagara was now able to supply the requirements of all positions of their customers' paper machines.

A number of other noteworthy expansions also occurred during the year. The billet reheat furnace at Ivaco Rolling Mills was expanded



to accept 46-foot-long billets resulting in heavier wire rod coils. These larger coils increased the rolling mill's productivity while also affording productivity benefits to our finishing mills and other wire rod customers. During the year New York Wire Mills began production of nails and construction began to increase nail capacity at Virginia. At Marieville, wire drawing and wire galvanizing capacity were increased and fastener production capacity was expanded at both Marieville and Ingersoll.

1977 also saw the successful placement of the Company's \$15 million Series C preferred shares. Sales had increased to \$167 million and net earnings were \$9.8 million.

1978

1978 was an extraordinarily significant year. Sales climbed to \$266 million, net earnings rose to \$24 million and working capital was \$57 million.

During the year both the Lundy Steel and Galvano divisions were acquired. Lundy produces a broad range of wire, welded wire fabric and fencing products and Galvano electro-galvanizes fasteners and nails for Ivaco's finishing mills. Additional wire mill expansions were undertaken at New York Wire Mills, Lundy Steel, Sivaco Quebec and Virginia Wire; and, construction of a new wire mill, Florida Wire and Nail, was started at Quincy, Florida. The new Infasco Nut plant at Toronto was also established and additional boltmakers were installed at Marieville and Ingersoll. A major expansion was also taking place at the Mississippi felt plant where a 920-inch flat weaving loom and a 560-inch needle loom were being installed. These looms are two of the largest of their types in the world.

The Company was also active in the financial arena. Debentures for \$45 million (\$25 million U.S. at 9 1/4% and \$20 million Cdn. at 10%)

were placed with The Prudential Insurance Company of America. Also, in addition to the regular quarterly dividend of 5 cents, an extra year end dividend of 20 cents per share was paid to common shareholders and the regular quarterly dividend for 1979 was increased to 7 cents.

1979

It was a fitting ending to a demanding but extremely exciting decade. Sales and earnings reached all-time highs of \$495 million and \$42.7 million, respectively, and working capital was over \$110 million. The year end extra dividend was increased to 40 cents per share and the regular quarterly dividend starting in 1980 was upped to 10 cents.

Major accomplishments during 1979 included two important acquisitions.

Atlantic Steel Company was acquired in August which provided Ivaco with 700 thousand tons of additional annual steelmaking and rolling capacity in the United States. Atlantic Steel has four plants, three in Georgia and one in Missouri and its products have broadened Ivaco's product base to include hot rolled steel bars and shapes, steel tubing and pre-engineered steel buildings.

Control of National Wire Products Corp. was also acquired during the year. Of its five plants two are located in Georgia and one is located in each of Maryland, Florida and Ohio. National is a large producer of welded wire fabric and uses substantial quantities of wire rod as its principal raw material.

The Company also made significant internal expansions during the year. Additional wire drawing equipment and warehousing facilities were added at Sivaco Quebec; welded wire fabric equipment was added at Lundy Steel; expansion of fastener warehousing facilities was made at Marieville and Ingersoll; boltmakers and nutformers

were added in the Fastener Group; expansion of wire rod production at Atlantic Steel commenced; and, final plans were approved for the conversion from ingot teeming practice to continuous billet casting at Atlanta.

In summary

The decade of the '70's saw sales increase at an annual compounded rate of 46% and reach \$495 million by 1979; net earnings increased at an annual compounded rate of 45% and were \$42.7 million in 1979; working capital was up from \$1 million to \$110 million; total assets rose from \$9 million to \$487 million. During the decade shareholders' equity increased at an annual compounded rate of 50% and was \$152 million at the end of 1979; and, the book value per common share increased from 65 cents to \$13.95.

All in all the Seventies were a decade of growth, a decade that saw Ivaco rise from a very small company to one of substantial size. It was a decade when vertical integration was accomplished both in Canada and the United States and when steelmaking capacity reached one million tons and rolling capacity reached 1.2 million tons. During the Seventies the product lines of your Company were expanded to include a wide variety of steel and wire products, pre-engineered steel buildings, high technology fabrics, for use by the paper manufacturing industry, and precision machined components and axles.

With its 32 modern and highly efficient plants comprising some 5 million square feet and employing 6,600 people, your Company is extremely well positioned to take advantage of the opportunities which will be offered in the Eighties. For Ivaco the Eighties are expected to be a decade of continued growth and as the decade unfolds we can already sense the tremendous opportunities that will be available for your Company.



Steelmaking and Rolling Mills

Tapping one of the two furnaces at the Atlanta steelmaking facility.

Ivaco has modern steelmaking and rolling mill facilities at three locations: L'Orignal, Ontario; Atlanta, Georgia; and Cartersville, Georgia. With the acquisition of Atlantic Steel the Company's annual steelmaking capacity has been increased to 1 million tons while rolling capacity is higher at 1.2 million tons.

At L'Orignal two electric furnaces feed a four-strand continuous caster which produces billets that have both optimum size and tailor-made metallurgical characteristics to feed an adjoining highly specialized rolling mill. The two electric furnaces are designed to take both scrap and pellet charges and the computer controlled operation and sophisticated quality control capability have resulted in achieving an extraordinarily high quality of steelmaking.

Ivaco Rolling Mills, which is an adjacent facility, is a specialized and sophisticated producer of wire rods. This is the principal raw material for many of the Company's finished products such as wire, welded wire fabric, fencing, nails and fasteners. The rolling mill has an ultra-modern "no-twist" finishing section which can roll rod in the smaller diameters at speeds in excess of 12,000 feet per minute and its controlled, retarded cooling capability is an innovation of major technical and economic importance. By retarding and controlling the cooling process of the newly rolled wire rods, ductile quality is enhanced and, for some applications, costly downstream annealing can be eliminated. Ivaco Rolling Mills has an annual rolling capacity approaching 500,000 tons and in addition to consuming all billet production from Eastern Steelcasting it purchases its additional needs under long-term billet supply contracts.

Atlantic Steel operates two steelmaking and rolling mill complexes. One is at Atlanta and the other is at Cartersville, Georgia, some 45 miles northwest of Atlanta.

At Atlanta, the Company has two electric furnaces each of which produces heats in excess of 90 tons.

L'Orignal, Ontario steelmaking and rolling mill complex.





▼ G. Silverman, manager of steelmaking and rolling mill complex at L'Orignal.



▲ Electrodes being raised prior to charging one of the electric furnaces at L'Orignal.



Steel billets moving through the end section of the four-strand continuous caster at Cartersville, Georgia.



The steelmaking facility at Atlanta has modern furnace and scrap handling operations as well as the latest in pollution control equipment. By the end of this year it will also have two new three-strand continuous billet casters which will make this facility one of the most modern anywhere.

Steel production at the Atlanta facility feeds two rolling mill operations. The wire rod rolling mill is undergoing a major expansion and, when completed during the fourth quarter of this year, it will include an ultra-modern "no-twist" finishing mill and

controlled cooling lines. As a result of this expansion, annual rolling capacity will more than double to 290,000 tons. The second rolling mill facility, the "13-inch mill", produces hot rolled bars, flats, angles, channels, concrete reinforcing bars and similar high consumption products.

The steelmaking and rolling mill complex at Cartersville was completed in 1976 and is one of the most modern in the United States. It was designed to incorporate the most modern technology known to the industry. As a result its operating efficiencies and pollution con-

trol facilities are probably unsurpassed by any mill of its type.

The Cartersville complex has a 100-ton electric furnace. Billets, which are formed in a four-strand continuous caster, are moved directly to the adjoining billet storage area. The billets are subsequently rolled on the "12-inch mill", which is a highly versatile straight-line mill that has 19 stands of horizontal/vertical configuration which allows for the production of special bar quality. In addition to bar products it produces a broad range of flats, rounds, squares, angles and concrete reinforcing bars.



▲ The "13-inch" bar mill in operation at Atlanta.

Wire rods leaving the "no-twist" finishing mill and entering the "retarded" slow cooling covered conveyors at L'Original. ▶



Wire Products

Wire is an industrial raw material that is used in large quantities. The market for wire is sensitive to quality, variety of available types, and reliability of supply. These are the competitive criteria within which Ivaco excels and, as a result, wire and wire products provide significant growth opportunities for your Company.

Wire and wire products are produced on modern, high-speed wire drawing equipment at 14 Ivaco plants located both in Canada and in the United States. A variety of wire products are produced including galvanized and annealed wire, high carbon spring wire, oil-tempered spring wire, welded wire fabric, fencing and barbed wire.

Heavy duty pipe mesh being readied for production at customer's plant.



▲ High-speed strand galvanizing line at Atlanta.

▼ Slatted fence production at Hyattsville, Maryland.



▲ Chain link fencing is galvanized after weaving at Atlanta.



▲ R. Tessier (left), plant manager, Sivaco Quebec Division, and J. Metrakos (right), manager technical services, Ivaco Ltd., with new wire drawing equipment at Marieville.

Nails

Nails are an important product for your Company. In all, six plants produce nails, two in Canada and four in the United States.

Nails are manufactured in an almost infinite variety of sizes and finishes. The Company's nail producing facilities apply the latest in technology and automation in their production techniques.

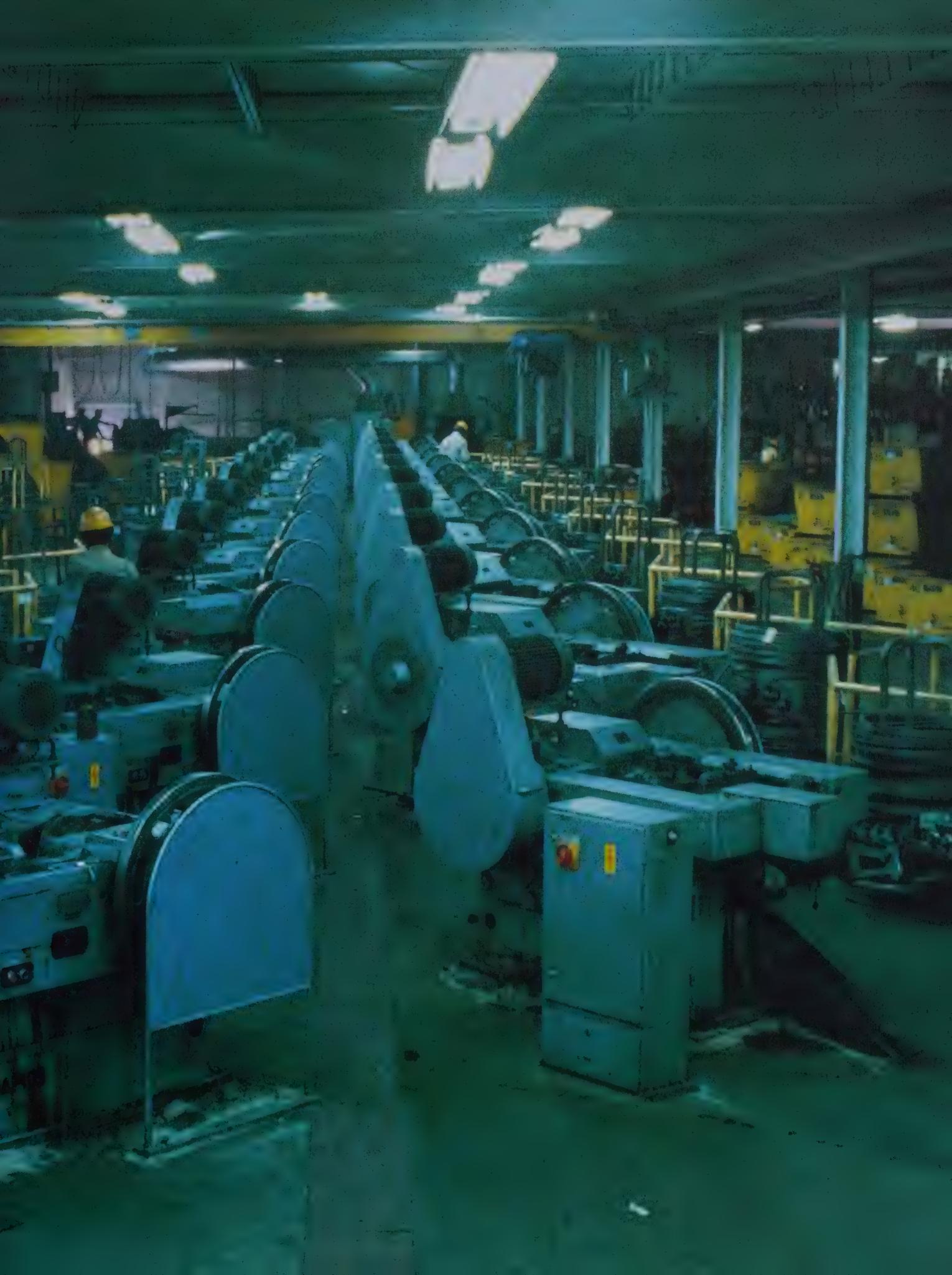
The development of easy-to-load "magazines" for use with power tool nailing machines is expanding the market for bulk nails beyond the traditional new construction and home handyman markets.

Automatic nailers are achieving dramatic productivity increases in a number of industries and are providing an attractive economic return to their users.

Your Company has been active in developments in this field and is now the exclusive North American distributor for the "Aerosmith" line of bulk nailers. This is the only line of automatic nailers that uses bulk nails and has productivity gains equal to collated nailers at a much lower cost.

*New nail manufacturing facility
at Quincy, Florida.*





Fasteners

Fasteners are, like wire products and nails, large consumers of high quality wire rods.

Ivaco's Fastener Group is one of the leading North American manufacturers of steel and alloy fasteners and produces various types of bolts, nuts, studs and washers at three modern and highly automated plants. Its high-speed boltmakers, nutformers, and huge cold forging

machinery have the most recent technological developments which permit the Fastener Group to produce fasteners more economically and to closer tolerances than other processes.

Its products are used in a variety of applications, such as in the construction of buildings and bridges, and in the manufacture of agricultural equipment, trains and production machinery. Fasteners are also used in the recreational vehicle and automotive industries, in mines and oil

refineries, and in the electrical appliance and furniture field, as well as for ordinary hardware uses. This wide usage of fasteners requires a high level of quality and dependability and your Company's Fastener Group is in an excellent position to provide this service.

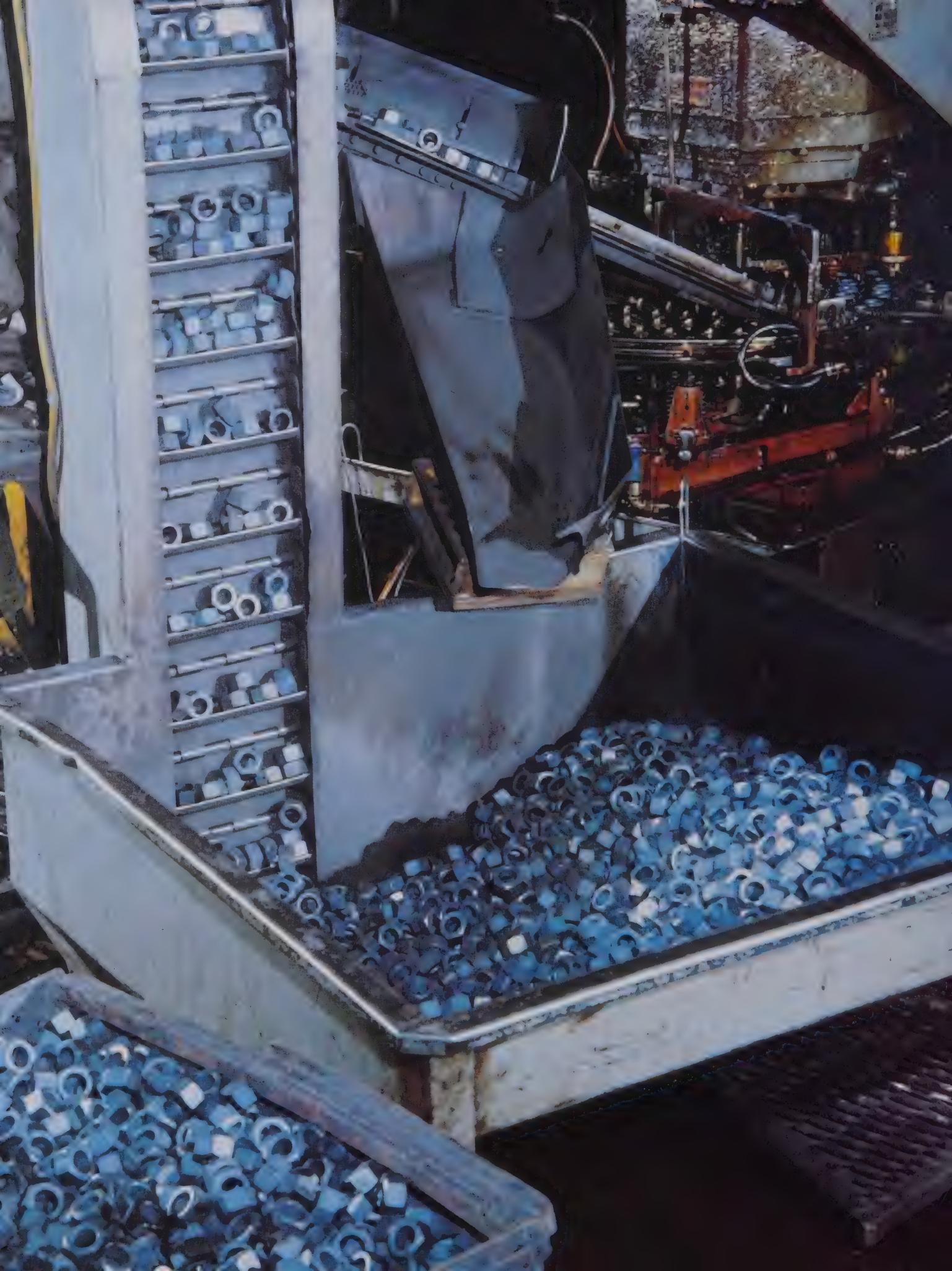
Fasteners are shipped from seven strategically located warehouses to customers throughout North America as well as to the other four continents.





The Infasco Division at Marieville: packaging of fasteners prior to shipment (left); one of the world's largest boltmakers (bottom left); B. Jacques, metallurgist, in front of heat treating furnaces (bottom).





Precision Machined Components and Axles

Ingersoll Machine and Tool, your Company's precision machining subsidiary, manufactures and assembles components for the automotive, construction machinery, farm machinery, defence and other industries. In addition, Ingersoll is a large producer of heavy duty axles and heavy duty steering axles for highway trailers and patented axles for use on small trailers and recreational vehicles.



▲ E. Wilson, general manager, Ingersoll Machine and Tool.

◀ Automatic nut tapping machine — one of several at the Infasco Division.



▲ Heavy duty steering axles are a new product for Ingersoll Machine and Tool.



▲ Numerically controlled machining centre at Ingersoll, Ontario.

Paper Machine Clothing

manufacturers of paper machine "clothing" and is a recognized leader in "clothing" technology.

These specialty fabrics are required to perform at high speeds and under conditions of high tension. They receive painstaking attention to a broad range of quality control criteria. They are "tailor-made" to specific paper machines and are produced on looms and other pieces of equipment, most of which have been designed or custom-built by Niagara Lockport staff.

During the year just passed, one of Niagara Lockport's customers set a world production record on a machine using a Niagara forming fabric. The outstanding quality of the fabric is credited with a significant part of this accomplishment.

"Clothing" for paper machines is produced in six plants strategically located in Canada and the United States near the areas of largest growth for the paper manufacturing industry.



▲ Niagara Lockport executives (from left to right) J. Killin, vice-president manufacturing; W. Truesdale, senior vice-president and general manager; and, M. Cairns, president, discuss newly installed equipment.

The Paper Machine Clothing Group, operating under the name of Niagara Lockport Industries, produces three important consumable products used in the manufacture of paper and paperboard. These are wet end forming fabrics, wet felts and dryer felts. These products which are also called "clothing" are used to convey the paper from the time the pulp-water mixture is laid down at the wet end section of the paper machine until the dry finished paper comes off — sometimes a distance of a quarter of a mile or more away.

A worldwide leader, Niagara Lockport ranks among the largest

One of the most complex aspects of the production of wet end forming fabrics is the final seaming process to form an endless belt. This delicate and precision-based process is performed on proprietary equipment which is believed to be the best in the industry.

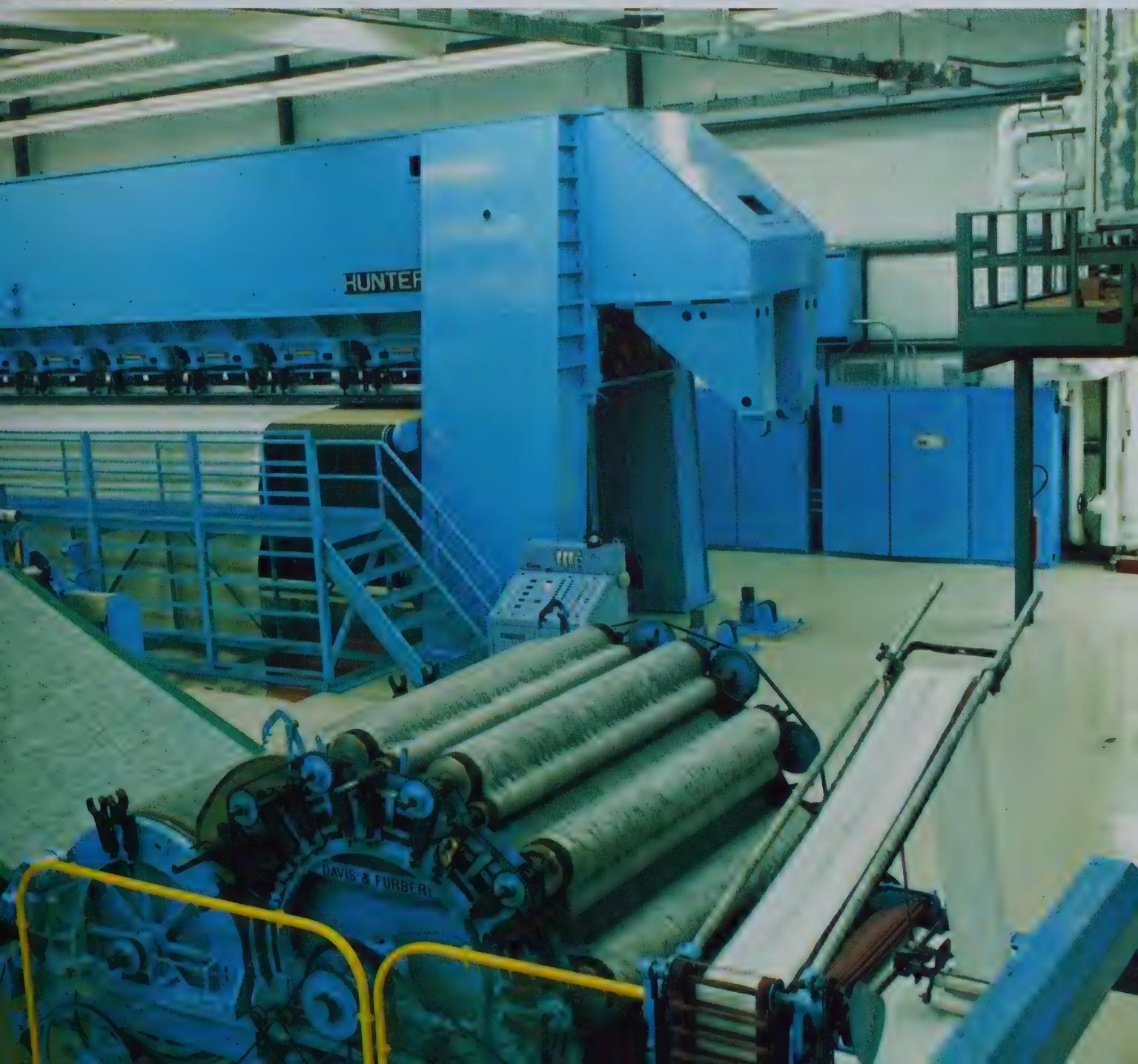
The "clothing" produced by your Company, in each of the three principal types, is a vital element for the operation of paper machines. Minimizing downtime is therefore a critical factor for our customers and one of our important attributes is our ability to keep their downtime to a minimum. Accordingly, service is an important competitive element.





◀ A customer's paper machine that uses Niagara Lockport "clothing".

One of the world's largest needle looms at our Starkville, Mississippi plant. This giant loom needles specially designed wet felts for use on large size paper machines.



Atlantic Steel Company

Newly acquired Atlantic Steel forms a major element of the Ivaco Group. It is a leader in the technology of modern steelmaking relative both to productivity and environmental control. Atlantic's steelmaking and rolling mill facilities, in the bustling sunbelt State of Georgia, have been producing flat-out during the past year while other elements of the U.S. steel industry have been facing cut-backs.

Atlantic is much more than a high quality producer of basic steel and hot rolled products. Its products include both merchant and special quality bars, flats, rounds, squares, angles and concrete reinforcing bars. It also produces a large variety of wire and related wire products, including fencing, and nails and, through its subsidiary Atlantic Building Systems, it produces welded structural tubing.

Atlantic Steel's hot rolled products are important components used throughout the entire spectrum of the manufacturing and construction industries in the United States.

Additional information concerning Atlantic Steel is contained in the section dealing with Steelmaking and Rolling Mills which begins on page 9.



The steelmaking, rolling mill and wire mill complex located on 200 acres near downtown Atlanta. Executive and administrative offices (forefront). Steelmaking facility (at left) is not shown. ▶



Atlantic Steel executives (from left to right) W. Riley, president; C. Nelson Jr., vice-president, sales and marketing; G. Dewberry Jr., chairman; and, C. Bastedo, executive vice-president.

(Top center) Welded steel tubing produced at Tallapoosa, Georgia.

(Top right) Some of the hot rolled products produced by Atlantic Steel.

The steelmaking and rolling mill complex at Cartersville, Georgia.





Atlantic Building Systems

Atlantic Building Systems is one of North America's large producers of pre-engineered steel buildings.

This subsidiary engineers and pre-fabricsates building systems from standardized plans and materials lists, frequently adjusted by custom designing, to achieve an enviable record for high quality structures.

These pre-engineered and pre-fabricated structures run the full design gamut from small to mammoth size, minimum cost per foot, to major concern for esthetics — including architectural options. The Company offers over 15,000 standard combinations of building widths, bay lengths, heights and loads, including a complete line of structural accessory systems. In addition, the Company offers a variety of wall and roof systems. Each building owner selects from a wide choice of handsome facades which can include glass, wood, brick, and stone for truly beautiful buildings.

This building was built for the New York Port Authority using an Atlantic pre-engineered and pre-fabricated steel building. ▶



▲ This Atlantic pre-fabricated school building has unusual and attractive concrete work at the front.



Aircraft hangars and warehousing (above) are other logical uses for Atlantic's pre-fabricated buildings.





National Wire Products

Your Company acquired control of National Wire Products early in 1979 and it promises to be a major success.

National Wire has five plants, one in each of Maryland, Ohio and Florida and two in Georgia. It is a major

manufacturer of construction mesh, heavy duty pipe fabric and other welded wire products.

National produces specialty products for the construction industry. These include different types of block mesh and paper-backed mesh. Paper-backed mesh is used in the fabrication of swimming pools and as a base for the application of stucco type products while block mesh is used as reinforcement for concrete block walls.

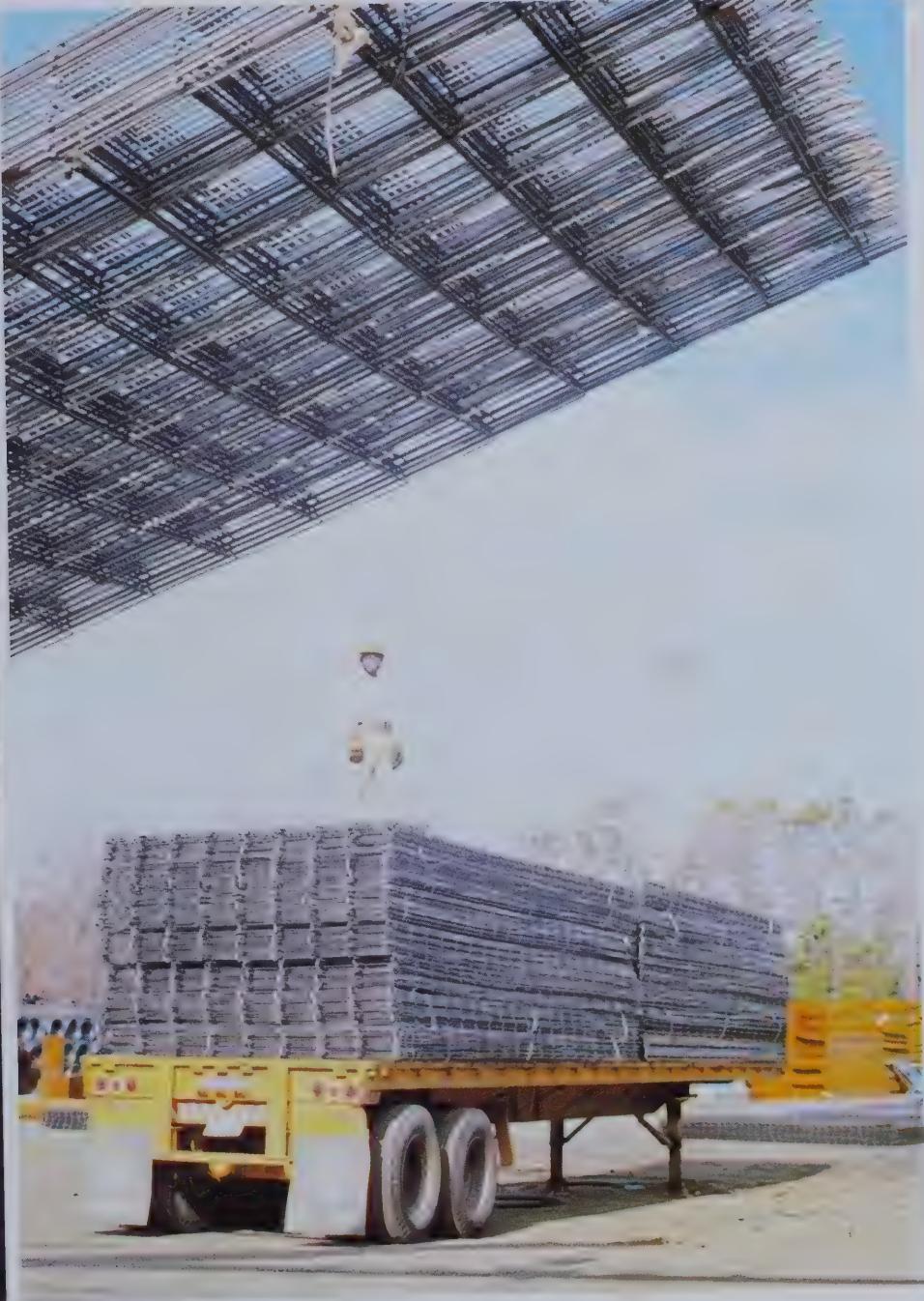
Studies of product mix within National's marketing areas indicated a strong need for a strand galvanizing facility. This facility is now being installed at Baltimore and when completed will meet all of National's needs for galvanized wire and will allow for sale to other wire users.

National Wire executives (from left to right) R. Faust Jr., vice-president operations; R. Faust, president; and, G. Seling, executive vice-president, inspect wire mesh production.

(Far right) Newly drawn wire at Baltimore, Maryland.



▲ Welded wire fabric machines in operation at National Wire.



■ Construction mesh is readied for shipment at Savannah, Georgia.

Consolidated balance sheet

As at December 31, 1979

Assets	1979 (in thousands)	1978 (in thousands)
Current		
Cash	\$ 3,382	\$ 813
Accounts receivable	76,925	45,515
Inventories		
Finished and semi-finished	67,355	30,238
Raw materials and supplies	111,497	52,106
	<u>178,852</u>	<u>82,344</u>
Prepaid expenses	1,561	1,507
	<u>260,720</u>	<u>130,179</u>
Cash held for investment	—	8,300
Investments (Note 2)	7,247	6,035
Fixed		
Land	4,134	1,453
Buildings	57,854	31,761
Machinery and equipment	259,365	134,494
	<u>321,353</u>	<u>167,708</u>
Less accumulated depreciation	105,214	37,728
	<u>216,139</u>	<u>129,980</u>
Other assets (Note 3)	2,956	2,991
	<u>\$487,062</u>	<u>\$277,485</u>

On behalf of the Board:

Isin Ivanier, Director

Paul Ivanier, Director

Liabilities

Current

	1979 (in thousands)	1978 (in thousands)
Bank indebtedness, partly secured	\$ 38,890	\$ 25,511
Accounts payable and accrued liabilities		
Trade and other	72,761	31,767
Directors	1,973	1,245
Income taxes	14,145	9,836
Current maturities of long-term liabilities	14,880	4,456
Current portion of deferred income taxes	7,737	279
	<u>150,386</u>	<u>73,094</u>
Long-term liabilities (Note 4)	143,192	58,358
Deferred income taxes	40,750	28,708
Minority interests	1,041	506

Shareholders' equity

Capital stock (Note 5)	44,231	41,730
Contributed surplus (Note 1 d.)	—	2,443
Retained earnings (Note 6)	<u>107,462</u>	<u>72,646</u>
	<u>151,693</u>	<u>116,819</u>
	<u>\$487,062</u>	<u>\$277,485</u>

AUDITORS' REPORT

The Shareholders,
Ivaco Ltd.

We have examined the consolidated balance sheet of Ivaco Ltd. as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. For Ivaco Ltd. and those subsidiaries of which we are the auditors, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the

auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept, for purposes of consolidation, the reports of the other auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants

Montreal, Quebec,
February 26, 1980.

Consolidated statement of earnings

For the year ended December 31, 1979

Net sales

Costs and expenses exclusive of items listed below
 Depreciation
 Amortization
 Interest on long-term liabilities
 Interest on short-term borrowings

Earnings before income taxes

Provision for income taxes

	1979 (in thousands)	1978 (in thousands)
Net sales	\$495,363	\$265,852
Costs and expenses exclusive of items listed below	398,619	208,860
Depreciation	10,280	6,779
Amortization	1,141	1,211
Interest on long-term liabilities	10,414	3,933
Interest on short-term borrowings	5,911	4,011
	426,365	224,794
	68,998	41,058
Earnings before income taxes		
Provision for income taxes		
Current	18,205	12,178
Deferred	7,194	4,499
	25,399	16,677
Net earnings before minority interests	43,599	24,381
Minority interests	857	410
Net earnings	\$ 42,742	\$ 23,971
Net earnings per common share	\$ 4.40	\$ 2.44

Consolidated statement of retained earnings

For the year ended December 31, 1979

Balance at beginning of year

Add: Net earnings

Deduct:

	1979 (in thousands)	1978 (in thousands)
Balance at beginning of year	\$ 72,646	\$53,946
Add: Net earnings	42,742	23,971
	115,388	77,917
 Deduct: Preferred dividends	1,551	1,568
Common dividends including stock dividends payable in 5% redeemable preferred shares of which \$2,106 thousand were redeemed on January 2, 1980	6,375	3,703
	7,926	5,271
 Balance at end of year	\$107,462	\$72,646

Consolidated statement of changes in financial position

For the year ended December 31, 1979

	1979 (in thousands)	1978 (in thousands)
Sources of working capital		
Operations		
Net earnings	\$ 42,742	\$23,971
Depreciation and amortization	11,421	7,990
Deferred income taxes	5,104	3,003
Other	308	286
Total from operations	<u>59,575</u>	35,250
Issue of capital stock	440	2,527
Issue of secured debentures	—	49,568
Net increase in long-term liabilities	<u>2,357</u>	—
Working capital of subsidiaries at dates of acquisition		
Atlantic Steel	42,334	—
National Wire Products	<u>1,138</u>	—
Total sources of working capital	<u>105,844</u>	87,345
Uses of working capital		
Acquisition of shares of Atlantic Steel	60,355	—
Less bank loan incurred in connection therewith, net of current portion	<u>49,710</u>	—
Cash held for investment in		
National Wire Products	—	8,300
Net additions to fixed assets	<u>34,288</u>	27,550
Net decrease in long-term liabilities	—	22,048
Dividends		
Preferred	1,551	1,568
Common	<u>4,269</u>	3,703
Acquisition of minority interests	517	2,280
Other items	<u>1,325</u>	1,243
Total uses of working capital	<u>52,595</u>	66,692
Increase in working capital	<u>53,249</u>	20,653
Working capital at beginning of year	<u>57,085</u>	36,432
Working capital at end of year	<u>\$110,334</u>	\$57,085

Notes to consolidated financial statements

December 31, 1979

1. Significant accounting policies

a. Basis of consolidation

The Company follows generally accepted accounting principles on a basis consistent with that of the preceding year in the preparation of its consolidated financial statements which include the accounts of Ivaco Ltd. and its operating subsidiary companies. The cost of investments in subsidiary companies in excess of the net assets at the dates of acquisition is allocated to fixed assets and is being depreciated over the estimated useful lives of the fixed assets.

b. Foreign exchange

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at approximate exchange rates prevailing at the transaction dates for non-current assets and liabilities. Income and expenses other than depreciation and amortization are translated at average exchange rates prevailing during the year; depreciation and amortization are translated at historic exchange rates. Gains and losses on translation are included in earnings.

c. Inventory valuation

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value.

d. Fixed assets and depreciation

Fixed assets are stated at cost after deducting related government grants (including \$2,443 thousand in 1979 previously reflected as contributed surplus) and are depreciated on the straight-line basis over their useful lives. The estimated useful lives of the principal classes of fixed assets are:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

e. Deferred preproduction costs

Certain costs relating to the start-up of new facilities or major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

2. Investments

Marketable securities, at cost

Common shares of Laclede Steel Company
(market value \$3.9 million)

Investment in non-operating subsidiaries,
accounted for by the equity method

Mortgages

1979 (in thousands)	1978 (in thousands)
\$5,761	\$5,761
1,355	—
131	274
<u>\$7,247</u>	<u>\$6,035</u>

3. Other assets

	1979 (in thousands)	1978 (in thousands)
Deferred preproduction costs and other deferred charges, less amortization	\$2,492	\$2,712
Other items	464	279
	\$2,956	\$2,991

4. Long-term liabilities

	1979 (in thousands)	1978 (in thousands)
Secured debentures payable in varying installments to 1993		
Series A at 9 1/4% (\$24.7 million U.S.)	\$ 29,208	\$29,568
Series B at 10%	19,800	20,000
Bank loan (117.5% of U.S. prime) secured by marketable securities, repayable in equal annual installments to 1981 (\$1.4 million U.S.)	1,530	2,243
Bank loan (107.5% of U.S. prime) incurred in connection with the purchase of Atlantic Steel Company, repayable in varying installments to 1986 (\$50 million U.S.)	58,343	—
Unsecured notes (principally at 8.125%) payable in increasing annual installments from 1984 to 1995 (\$27 million U.S.)	31,165	—
Unsecured deferred accounts payable (principally at 12%) of which \$10 million are in U.S. funds, payable in varying installments to 1984	13,093	8,776
Other	4,933	2,227
Less current maturities	158,072	62,814
	14,880	4,456
	\$143,192	\$58,358

Required payments over the next five years are: \$14.9 million in 1980; \$11.3 million in 1981; \$13.6 million in 1982; \$13.1 million in 1983; and \$13.9 million in 1984.

On December 31, 1979 a subsidiary company executed a note and loan agreement in the amount of \$17.5 million (\$15 million U.S.) at 107.5% of U.S. prime, for expansion of its steel mill in Atlanta, Georgia. The loan is repayable in increasing annual installments from 1981 through 1987. No loan proceeds had been drawn as of December 31, 1979.

5. Capital stock

	1979 (in thousands)	1978 (in thousands)
Common shares, no par value		
Authorized — 24,000,000 shares		
Issued and outstanding — 9,390,380 shares		
(1978 — 9,314,877)	\$23,516	\$22,730
Preferred shares, par value \$50 each		
Authorized — 1,019,100 shares of which 120,000		
shares have been designated as Series B and		
299,100 shares have been designated as Series C		
Issued		
6% Series B — 89,460 cumulative, convertible,		
voting shares; outstanding 73,092 shares		
(1978 — 80,011)	3,654	4,000
8.85% Series C — 299,100 cumulative,		
redeemable, non-voting shares outstanding		
(1978 — 300,000)	14,955	15,000
5% Redeemable non-cumulative, non-voting,		
preferred shares, par value \$10 each,		
Authorized — 2,425,846 shares		
Issued and outstanding — 210,596 shares which		
were redeemed on January 2, 1980	2,106	—
	<u>\$44,231</u>	<u>\$41,730</u>

Common shares

By supplementary letters patent issued June 15, 1979, all of the authorized Class A and Class B common shares were reclassified as common shares.

During the year 52,450 common shares were issued for \$440 thousand under the employees' stock option plan and 23,053 common shares were issued for \$346 thousand on conversion of preferred shares.

Preferred shares

The Series B preferred shares are redeemable at 106% of their par value and are convertible into common shares on the following basis:

- (i) prior to March 31, 1980 three and one-third common shares for each preferred share.
- (ii) after March 31, 1980 and prior to July 31, 1983 two and one-half common shares for each preferred share.

The Series C preferred shares rank equally with the Series B preferred shares and may be

purchased by the Company on the open market at a premium of up to 6% of their par value prior to July 1, 1982 and thereafter at prices not exceeding the applicable redemption price. Also, the Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter at prices not exceeding \$50 per share. The Series C preferred shares may be redeemed on or after July 1, 1982 at a premium of 6% of their par value in the first year, decreasing by $\frac{3}{4}$ of 1% for each year commencing thereafter up to and including July 1, 1990, and thereafter without premium.

The 5% redeemable preferred shares rank after the preferred shares of the par value of \$50 each and ahead of the common shares.

Employees' stock option plan

Under the employees' stock option plan, options at December 31 for 120,750 common shares were outstanding (1978 — 119,400) at prices varying from \$7.20 to \$15.30 per share and an additional 34,100 common shares were reserved for issue (1978 — 87,900).

6. Retained earnings

Under the terms of issuance of the Company's Secured Debentures certain payments, principally cash dividends on common shares, are limited to a certain

amount of retained earnings. At December 31, 1979 the Company had approximately \$26 million of retained earnings available for such payments.

7. Acquisitions

National Wire Products

In February 1979, the Company acquired newly issued shares of National Wire Products Corporation of Maryland for \$8.3 million in cash, representing a 60% equity ownership in National. Under the terms of the purchase agreement Ivaco can increase its percentage of ownership to approximately 95% for a predetermined amount of cash based on National's future profits.

Atlantic Steel Company

In August 1979, the Company purchased approximately 97% of the common stock of Atlantic Steel Company of Atlanta, Georgia and in October 1979 Atlantic became a wholly-owned subsidiary of Ivaco. The cost of acquisition was approximately \$60.4 million in cash.

Both of these acquisitions have been accounted for by the purchase method. Accordingly, the consolidated financial statements include their results of operations since the dates of acquisition.

Summarized below are the assets and liabilities of the aforementioned companies at the dates of acquisition.

(in thousands)

Current assets	\$85,794
Current liabilities	42,322
Working capital	43,472
Net fixed assets	63,389
Investments and other assets	1,431
Deferred income taxes	(6,938)
Long-term liabilities	(32,699)
Total acquisition cost	\$68,655

8. Pensions

The Company and its subsidiaries have pension plans covering a majority of employees. Pension expense in 1979 of \$2.9 million (1978 — \$700 thousand) includes amortization of past service costs over periods of 15 to 40 years.

The actuarially computed value of vested benefits as of the dates of the most recent

actuarial studies exceeded the market values of pension fund assets and balance sheet accruals at those dates by approximately \$29 million. This amount and the increase in pension expense in 1979 arose principally as a result of the acquisition of Atlantic Steel Company in August 1979.

9. Directors' and Officers' remuneration

The Company has nine directors and nine officers. The remuneration paid to the directors and officers was \$4 thousand and

\$1,184 thousand, respectively. Six of the officers are also directors.

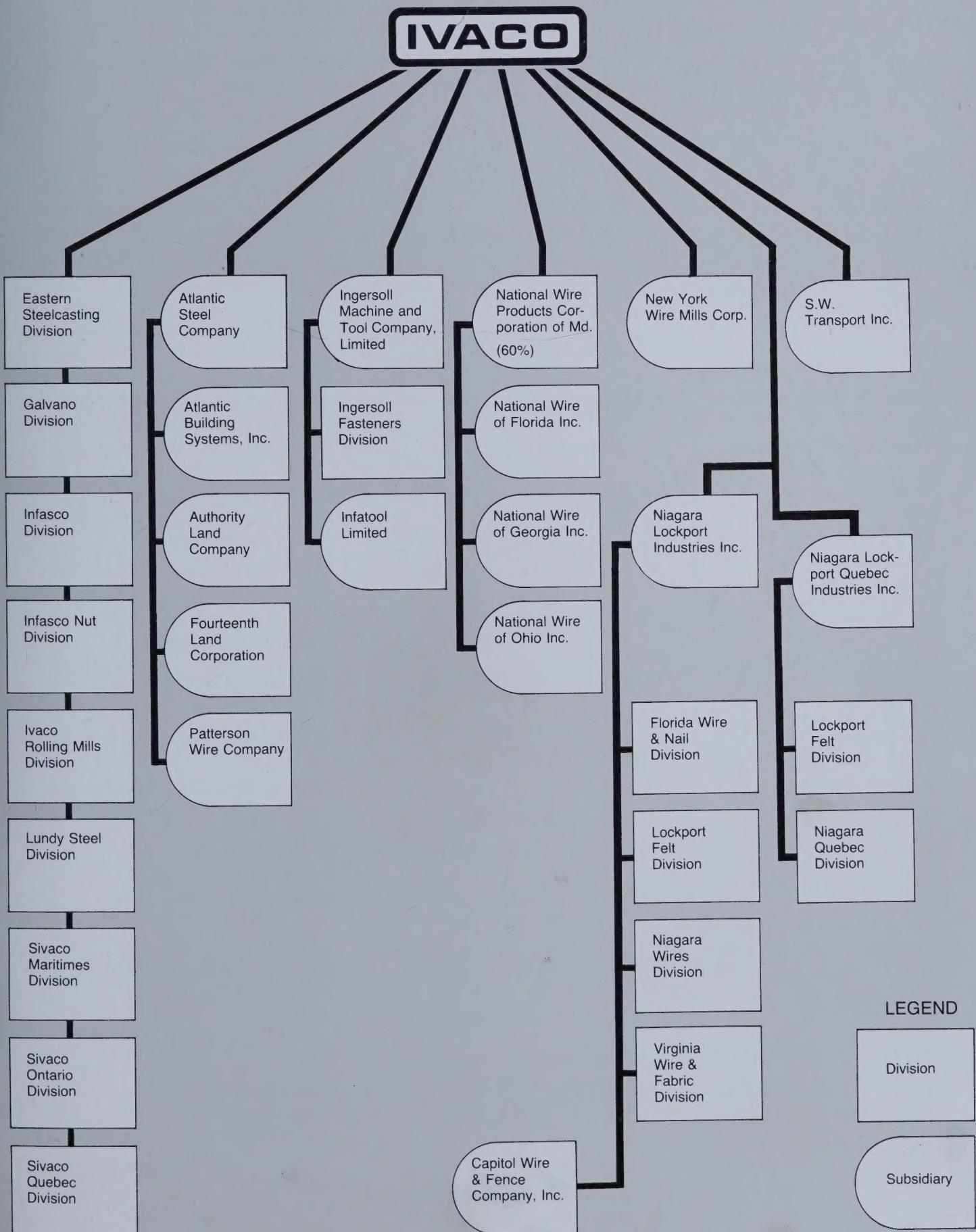
Financial Summary

(\$ in millions except per share amounts)

Operating Results	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Net sales	\$495.4	265.9	166.8	136.0	103.0	150.7	90.2	53.9	43.2	27.6	11.0
Depreciation and amortization	\$ 11.4	8.0	6.8	6.1	3.6	3.3	2.4	1.5	1.2	0.7	0.3
Earnings before income taxes	\$ 69.0	41.1	14.6	7.2	6.4	37.6	14.2	8.9	7.5	4.6	2.2
Provision for income taxes	\$ 25.4	16.7	4.6	1.6	1.7	16.5	5.8	4.1	3.7	2.3	1.1
Net earnings	\$ 42.7	24.0	9.8	5.4	4.5	20.4	8.1	4.6	3.7	2.1	1.0
Per common share	\$ 4.40	2.44	0.99	0.58	0.48	2.37	0.98	0.61	0.52	0.39	0.25
Return on sales	% 8.6	9.0	5.9	4.0	4.4	13.6	9.0	8.6	8.5	7.5	9.2
Financial Position	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Current assets	\$260.7	131.2	105.9	100.6	88.6	76.8	44.0	35.3	28.1	12.1	4.3
Current liabilities	\$150.4	74.1	69.5	69.5	59.5	45.9	25.6	22.2	18.4	7.4	3.0
Working capital	\$110.3	57.1	36.4	31.1	29.1	30.9	18.4	13.1	9.7	4.7	1.3
Net additions to fixed assets	\$ 34.3	27.6	19.7	7.4	16.0	32.4	14.6	6.9	8.3	2.5	0.9
Total assets	\$487.1	278.5	224.9	203.5	188.0	160.4	102.9	70.2	52.9	24.5	9.3
Long-term liabilities	\$143.2	58.4	30.8	32.2	33.5	29.8	18.6	14.7	7.2	2.2	2.1
Shareholders' equity	\$151.7	116.8	95.6	74.2	70.8	67.3	48.1	26.5	21.8	8.9	2.6
Dividends	\$ 7.9	5.3	2.6	1.9	1.9	1.7	0.4	0.2	0.2	—	—
Book value per common share	\$13.95	10.50	8.53	7.82	7.43	7.05	4.89	3.14	2.57	1.66	0.65

ORGANIZATION CHART

(100% ownership unless noted otherwise)



Directory of Operations

Atlantic Building Systems Inc.

P.O. Box 1108
Hannibal, Missouri 63401
314/221-2715

Pre-engineered steel buildings

Atlantic Building Systems Inc.

P.O. Box 247
Tallapoosa, Georgia 30170
404/574-2331

Pre-engineered steel buildings
and welded structural tubing

Atlantic Steel Company

1300 Mecaslin N.W.
P.O. Box 1714
Atlanta, Georgia 30301
404/875-3441

Steel billets, reinforcing bars, hot rolled bars and shapes, hot rolled wire rods, bright and galvanized manufacturers' wire, farm fencing, barbed wire, bale ties, nails and chain link fencing and accessories

Atlantic Steel Company

P.O. Box 1069
Cartersville, Georgia 30120
404/382-8420

Steel billets, reinforcing bars, hot rolled bars and shapes

Capitol Wire & Fence Company, Inc.

3334 Kenilworth Avenue
Hyattsville, Maryland 20781
301/779-7000

Wire and chain link fencing

Eastern Steelcasting Division

P.O. Box 510
L'Orignal, Ontario K0B 1K0
613/675-4671

Steel billets

Florida Wire & Nail Division

P.O. Box 816
Quincy, Florida 32351
904/875-1150

Wire, welded wire fabric and nails

Galvano Division

2620 Bernard Pilon
Beloeil, Quebec J3G 4S5
514/464-0547

Electro-galvanizing of fasteners
and nails

Infasco Division

700 Ouellette Street
Marievile, Quebec J0L 1J0
514/658-8741

Bolts, nuts and fastener products

Infasco Nut Division

7283 Torbram Road
Mississauga, Ontario L4T 1G8
416/677-8920

Bolts, nuts and fastener products

Infatool Limited

Ingersoll Street
P.O. Box 6
Ingersoll, Ontario N5C 3K1
519/485-4531

Dies and specialty tooling

Ingersoll Fasteners Division

Thomas Street
P.O. Box 68
Ingersoll, Ontario N5C 3K1
519/485-4610

Bolts, nuts and fastener products

Ingersoll Machine and Tool Company, Limited

347 King Street West
P.O. Box 250
Ingersoll, Ontario N5C 3K6
519/485-2210

Precision machined components
and axles

Ivaco Rolling Mills Division

P.O. Box 322
L'Orignal, Ontario K0B 1K0
613/675-4671

Hot rolled wire rods

Lundy Steel Division

Forest Street East
Dunnville, Ontario N1A 2X5
416/774-7581

Wire, welded wire fabric,
galvanized wire, barbed wire, cold
drawn bars and farm and chain
link fencing

National Wire of Florida Inc.

1314 - 31st Street
Tampa, Florida 33605
813/248-4134

Wire and welded wire fabric

National Wire of Georgia Inc.

520 Selig Drive
Atlanta, Georgia 30336
404/691-0770

Wire and welded wire fabric

National Wire of Georgia Inc.

U.S. Highway 17 & Birkenhead
Road
Savannah, Georgia 31407
912/964-1666

Wire and welded wire fabric

National Wire of Ohio Inc.

832 North Lallendorf Road
Toledo, Ohio 43616
419/698-8037

Wire and welded wire fabric

National Wire Products Corporation of Md.

Fischer Rd. & Penn Central R.R.
Baltimore, Maryland 21222
301/477-1700

Wire and welded wire fabric

New York Wire Mills Corp. 3937 River Road P.O. Box 215 Tonawanda, New York 14150 716/874-5681 Wire, oil-tempered spring wire and nails	Niagara Lockport Industries Inc. (Niagara Wires Division) High Bridge Road P.O. Box 979 Quincy, Florida 32351 904/627-7141 Paper machine clothing (wet end forming fabrics)	Patterson Wire Company Route 5, Box 251 Covington, Georgia 30209 404/786-9093 Farm fencing, barbed wire and electric fence wire
Niagara Lockport Industries Inc. (Lockport Felt Division) Godfrey Road & Transit Road Burt, New York 14029 716/778-8511 Paper machine clothing (wet felts)	Niagara Lockport Quebec Industries Inc. (Lockport Felt Division) 1 Lee Boulevard P.O. Box 420 Warwick, Quebec J0A 1M0 819/358-2071 Paper machine clothing (wet and dryer felts)	Sivaco Maritimes Division 35 Akerly Street P.O. Box 977 Dartmouth, Nova Scotia B3B 1J7 902/469-7412 Wire and nails
Niagara Lockport Industries Inc. (Lockport Felt Division) West Avenue Newfane, New York 14108 716/778-8511 Paper machine clothing (wet felts)	Niagara Lockport Quebec Industries Inc. (Niagara Quebec Division) 2106 Bellefeuille Street P.O. Box 939 Trois-Rivières, Quebec G9A 5K2 819/379-5555 Paper machine clothing (wet end forming fabrics)	Sivaco Ontario Division 390 Thomas Street P.O. Box 220 Ingersoll, Ontario N5C 3K5 519/485-4150 Wire
Niagara Lockport Industries Inc. (Lockport Felt Division) Highway 12 West Starkville, Mississippi 39759 601/323-4064 Paper machine clothing (wet and dryer felts)		Sivaco Quebec Division 800 Ouellette Street Marievile, Quebec J0L 1J0 514/658-8741 Wire, welded wire fabric, galvanized wire, fencing, and nails
		Virginia Wire & Fabric Division 615 Falmouth Street Warrenton, Virginia 22186 703/347-2741 Wire, welded wire fabric and nails

Other Information

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800 Ouellette Street, Marieville, Quebec
Canada J0L 1J0

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Montreal, Toronto, Calgary and Vancouver

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Toronto Stock Exchange

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